

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF TEXAS  
AUSTIN DIVISION

IN RE: IMAGE TRENDS, INC.,

Debtor.

§

§ CASE NO. 14-11583-TMD

§ INVOLUNTARY CHAPTER 7

**ANSWER OF IMAGE TRENDS, INC. TO INVOLUNTARY PETITION**

TO THE HONORABLE TONY M. DAVIS, UNITED STATES BANKRUPTCY JUDGE:

NOW COMES Image Trends, Inc. ("Image Trends"), involuntary debtor in the above-captioned bankruptcy proceeding, and files this Answer to the involuntary bankruptcy petition filed on October 24, 2014 (the "Involutary Petition") [Dkt. No. 1]:

1. Image Trends is a Delaware corporation with a principal place of business at 6300 Bridgepoint Parkway, Building One, Suite 450, Austin, Texas 78730. It is in the advanced image processing business and is a leader in motion picture scanning technology. Its primary activities are licensing imaging technologies and incorporating them into the products of equipment manufacturers, as well as developing image correction and enhancement tools for professional and amateur markets.

2. Image Trends received funding from the Texas Emerging Technology Fund ("ETF"). A member of the ETF currently serves as a director of Image Trends.

3. Earlier this year, the former CEO of Image Trends, Daniel Sullivan, pled guilty to criminal activities completely unrelated to Image Trend's business. As a result of the investigation and the ultimate departure of Sullivan as CEO, Image Trends suffered a leadership vacuum, and its financials were weakened. But now, the company is well-positioned to market its valuable products, whether by means of a sale of all or part of its valuable technology assets,

or by continuing standalone operation under new leadership and potentially with a new capital structure.

4. The Involuntary Petition was filed by Dave Cavena (“CavenaOxberryGrinbergPetitioning Creditors

5. Image Trends has more than twelve creditors. *See Exhibit 1* (listing creditors, as required by Federal Rule of Bankruptcy Procedure 1003(b)). Therefore an involuntary petition against Image Trends must be supported by at least three creditors who hold claims “not contingent as to liability or the subject of a bona fide dispute as to liability or amount.” 11 U.S.C. § 303(b)(1). Importantly, the burden is on the creditors to demonstrate their standing to serve as petitioners pursuant to section 303.

6. Here, the Petitioning Creditors cannot carry their burden. The claim of Oxberry is at a minimum subject to bona fide dispute as to amount, and it may be barred in part or whole by the applicable statute of limitations or by defenses and counterclaims relating to the quality of the products and services provided by Oxberry.

7. Image Trends lacks sufficient information concerning the basis for the amounts asserted by Cavena and Grinberg, and thus is unable to assess whether their claims are non-contingent and undisputed or not. Image Trends requests that they be required to put on their evidence and carry their burden on this point.

8. For these reasons, standing is lacking for at least one—and potentially all three—of the Petitioning Creditors. In the absence of three legally qualified creditors to support it, the Involuntary Petition must fail.

9. If the Petitioning Creditors fail to sustain their burden, Image Trends will seek the additional relief to which it is entitled including costs, reasonable attorney's fees, damages caused by the filing, and punitive damages, all as provided in 11 U.S.C. § 303(i).

10. Image Trends reserves its right to urge further defenses to the Involuntary Petition and the standing of the Petitioning Creditors.

THEREFORE, Image Trends respectfully requests that after a hearing on this matter, the Involuntary Petition be dismissed and Image Trends be awarded such other further and different relief as to which Image Trends may show itself to be justly entitled.

Respectfully submitted,

HOHMANN, TAUBE & SUMMERS, L.L.P.

By: /s/ Eric J. Taube  
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PROSPECTIVE ATTORNEYS FOR  
IMAGE TRENDS, INC.

**CERTIFICATE OF SERVICE**

I hereby certify that the above and foregoing has been served by the Court's ECF e-filing notification on all parties receiving such notices and on all parties listed below by United States First Class Mail on this 18<sup>th</sup> day of November, 2014:

Dave Cavena  
367 North Baldy Vista Avenue  
Glendora, CA 97141

Oxberry, LLC  
180 Broad Street  
Carlstadt, NJ 07072

Grinberg Asset Holdings, LLC  
707 Wilshire Blvd., Suite 4880  
Los Angeles, CA 90017

Grinberg is represented by:  
Stephen W. Sather  
Barron & Newburger, P.C.  
1212 Guadalupe, Suite 104  
Austin, TX 78701

United States Trustee  
903 San Jacinto, Room 230  
Austin, TX 78701

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*/s/ Eric J. Taube*  
Eric J. Taube